

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6411

BILL NUMBER: SB 124

NOTE PREPARED: Dec 16, 2010

BILL AMENDED:

SUBJECT: Sales Tax on Vehicle Discounts.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a rebate or employee discount on the sale of a motor vehicle is not part of the gross retail income received by the seller when determining the Sales and Use Tax amount.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues: This bill would reduce Sales Tax revenue by an indeterminable amount. The impact will ultimately depend on the amount of rebates and employee discounts that are offered on the sale or lease of motor vehicles.

Assuming an average rebate or employee discount of \$500, and assuming 25% of new car sales and leases involve rebates or discounts, this bill could potentially reduce Sales Tax revenue by \$1.8 M annually. Since this estimate does not account for used car sales, the revenue impact could potentially be higher.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Global Insight' December 2010 Forecast of New Passenger Car & Light Truck Registrations; www.globalinsight.com

Fiscal Analyst: Diana Agidi, 317-232-9867 .